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IN THE UNITED STATES BANKRUPTCY COURT
FOR THE DISTRICT OF ARIZONA

In re:

LEEWARD HOTELS, L.P., an Arizona
limited partnership,

Debtor.

Chapter 11 Proceedings

Case No. B-99-09162-ECF-GBN

**RESPONSE TO OBJECTIONS TO DEBTOR'S
DISCLOSURE STATEMENT**

Hearing Date: January 10, 2000
Time: 10:00 a.m.
Courtroom 4, 10th Floor

Leeward Hotels, L.P. ("Debtor") responds to the objections to its Disclosure Statement filed by LaSalle National Bank, through its servicer Lennar Partners, Inc. ("Lennar"); Best Western International Inc. ("Best Western"); and Ramada Franchise Systems, Inc. and Days Inns of America (collectively "Ramada").

I. RESPONSE TO LENNAR'S OBJECTIONS

While much of Lennar's 38-page objection addresses confirmation issues such as feasibility and classification, the Debtor believes certain clarification and updating is necessary. Debtor proposes to amend its Disclosure Statement and Plan to incorporate those changes, many of which have been suggested by Lennar. The various points raised by Lennar are discussed below.

A. Confirmation Issues

Lennar insists on trying to turn this case into a 203 North LaSalle case. It is not. Debtor's Plan is not a new value plan; it is a full-pay plan. To the extent Debtor's ability to generate sufficient funds to pay creditors or its proposed interest rates are questionable, those issues are appropriately tested at confirmation, not in the disclosure process.

1 Debtor has set forth in greater detail in its Response to Lennar's Motion to Modify Exclusivity its
2 arguments pertaining to the inapplicability of 203 North LaSalle to this case. For brevity sake, those arguments
3 are not repeated here, but rather Debtor incorporates its Response by reference. In sum, the 203 North LaSalle
4 analysis is not relevant to approval of Debtor's Disclosure Statement.

5 **B. Disclosure Issues**

6 1. GMAC Settlement

7 Debtor will amend its Disclosure Statement to include the following discussion: On December
8 21, 1999 the Debtor filed a motion to approve a settlement with GMAC which agreement provides for the return
9 of the Lubbock Hotel to GMAC in full satisfaction of its debt. In addition, the agreement requires GMAC to pay
10 \$70,000 to pay for certain pre-petition taxes and other expenses and \$60,000 to pay for post-petition operating
11 expenses. This will reduce the amounts projected for payment of pre-petition debt. As part of the settlement,
12 Debtor is releasing all claims against GMAC including its preference claim of \$100,000. The Preference Recovery
13 Pool will be reduced accordingly and will be at a maximum of \$550,000; however, Debtor does not believe this
14 will impact the recovery in full by creditors in Classes 3D &E. No objections to the settlement were filed.

15 2. Risk Factors

16 The Debtor will amend its Disclosure Statement to include a discussion of the following risk
17 factors: (a) the accuracy of the projected cash flows; (b) the risk of sale or refinancing of the Hotels at a projected
18 amount; (c) the impact of the release prices on unpaid claims; (d) the contingency related to litigation with Lennar
19 regarding its preference and how creditors will be paid if the Preference Recovery Pool is less than anticipated;
20 and (e) the potential claims arising from a termination of the franchise agreement with Best Franchising.

21 3. Projections

22 The Debtor will amend its Disclosure Statement to include a discussion of the following: (a) the
23 actual operating statements for 1999; (b) assumptions for projections; (c) the basis for Debtor's estimate of
24 Lennar's claims including the values placed on the Hotels and the fact that Lennar disputes the Debtor's assertions;
25 (d) Lennar's election under 1111(b) with respect to the Olathe, Ottawa and Liberty Hotels; (e)
26 Debtor's projection for the future value of the Hotels and the basis for the projection; (f) a reclassification of
27 Lennar's allowed secured claim as per each Hotel and a clarification of the release prices and balloon payments.
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1 4. Release Prices

2 The Debtor will amend its Disclosure Statement to clarify the Release Prices for each of the
3 retained Hotels. Specifically, each Release Price will be a percentage based on the amount of the debt owed to
4 Lennar and Best and calculated to ensure creditors will be paid in full.

5 5. Classification

6 As indicated previously and in Debtor's Response to Lennar's Motion to Determine the Propriety
7 of Classification, the Debtor will amend its Disclosure Statement and Plan to provide for separate classification
8 of Lennar's allowed secured claim as per each Hotel. Debtor has indicated in its Disclosure Statement the general
9 basis for its classification of unsecured claims but will provide additional discussion regarding the fact that
10 claimants which are not paid immediately receive interest and are therefore not subordinated. Debtor will also
11 disclose that the interest rates proposed for Lennar and Amresco are the contract interest rates on the original
12 loans.

13 6. Pre-bankruptcy Events

14 To Debtor's half-page summary of pre-bankruptcy events intended only to indicate impetus for
15 filing bankruptcy, Lennar has responded with 7 pages of rhetoric, some of which is untrue and most of which is
16 irrelevant. Nevertheless, in order to permit Lennar the ability to explain its position, Debtor is willing to include
17 a one-page summary written by Lennar which addresses any of these matters. Debtor will include a one-page
18 summary as necessary to refute the allegations.

19 7. Capital Infusion

20 Debtor has executed the franchise agreement with Best Franchising but is awaiting Best's signature.
21 Debtor has not yet executed the promissory notes or deeds of trust. Debtor will provide a full discussion of the
22 agreements in its amended Disclosure Statement and will indicate that a full set of documents will be available
23 upon request.
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1 8. Executory Contracts

2 Debtor will clarify its intention to assume and reject various executory contracts including the
3 Management Agreement with Kilburg Management, L.L.C. and will provide further discussion of the impact of
4 the rejection and/or assumption of the contracts on the Plan.

5
6 **II. RESPONSE TO RAMADA OBJECTIONS**

7 Ramada and the Debtor disagree as to whether the transfer of the Hotels to the Debtor was a
8 violation of the franchise agreements. The license agreements expressly permit certain transfers such as that
9 effectuated in this case. Debtor also disputes Ramada's contention that it is unable to assume the agreements for
10 the Abilene and Albuquerque Hotels. Nevertheless, Debtor will include a discussion in its Disclosure Statement
11 regarding Ramada's position.

12 Debtor was not served with Ramada's Adversary Complaint until January 3, 2000. It appears the
13 Adversary Complaint was filed in violation of a standstill agreement dated October 9, 1999 executed by the Debtor
14 and Ramada. Although the Debtor believes it will resolve with Ramada the issues raised in the Complaint, Debtor
15 will include a discussion of the allegations and any impact it may have.

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17 **III. RESPONSE TO BEST WESTERN OBJECTIONS**

18 Best Western and Debtor disagree as to whether the transfer of the Hotels to the Debtor caused
19 a termination of the membership agreements. Nevertheless, Debtor will include a discussion in its Disclosure
20 Statement regarding Best Western's position. Debtor will also clarify that it is rejecting the Best Western
21 agreements.
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1 **IV. ADDITIONAL DISCLOSURES**

2 Debtor will update its Disclosure Statement to include the following post-bankruptcy events: (1)
3 Lennar's motion to modify exclusivity; (2) Lennar's motion regarding classification; (3) Lennar's objection to
4 claims; (4) Debtor's complaint against Southwestern Bell; (5) Best Western's motion to modify the automatic stay;
5 (6) Ramada's complaint; (7) Lennar's motion to amend schedules; and (8) GMAC's motion to lift stay and
6 settlement.

7
8 DATED this 7th day of January, 2000.

9 HEBERT, SCHENK & JOHNSEN, P.C.

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